

HURON INTERMEDIATE SCHOOL DISTRICT
Bad Axe, Michigan

Report on Financial Statements
June 30, 2007

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>i - vii</i>
BASIC FINANCIAL STATEMENTS	
<i>Government-Wide Financial Statements</i>	
<i>Statement of Net Assets</i>	1
<i>Statement of Activities</i>	2
<i>Fund Financial Statements</i>	
<i>Balance Sheet - Governmental Funds</i>	3 & 4
<i>Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets</i>	5
<i>Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance</i>	6 & 7
<i>Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities</i>	8
<i>Fiduciary Funds</i>	
<i>Statement of Fiduciary Net Assets</i>	9
<i>Notes to the Financial Statements</i>	10 - 22
REQUIRED SUPPLEMENTARY INFORMATION	
<i>Budgetary Comparison Schedule - General Fund</i>	23
<i>Budgetary Comparison Schedule - Special Education Fund</i>	24
<i>Budgetary Comparison Schedule - Career Technical Education Fund</i>	25
<i>Budgetary Comparison Schedule - Adult Education Fund</i>	26
ADDITIONAL INFORMATION	
<i>Nonmajor Governmental Fund Types:</i>	
<i>Combining Balance Sheet</i>	27
<i>Combining Statement of Revenues, Expenditures and Changes in Fund Balances</i>	28

	<u>PAGE NUMBER</u>
General Fund:	
Schedule of General Fund Revenue	29
Schedule of General Fund Expenditures	30 & 31
Special Revenue Funds:	
Schedule of Special Education Fund Revenue	32
Schedule of Special Education Fund Expenditures	33 & 34
Schedule of Career Technical Education Fund Revenues	35
Schedule of Career Technical Education Fund Expenditures	36 & 37
Schedule of Adult Education Fund Revenues	38
Schedule of Adult Education Fund Expenditures	39 & 40
Fiduciary Funds:	
Trust and Agency Fund Schedule of Receipts and Disbursements and Changes in Liabilities - Student Activities	41
Schedule of Bonded Debt	42



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September 20, 2007

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Huron Intermediate School District
Bad Axe, Michigan 48413

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Intermediate School District, as of and for the year ended June 30, 2007, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Huron Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Intermediate School District as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2007 on our consideration of Huron Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vii and pages 23 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Huron Intermediate School District
September 20, 2007

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron Intermediate School District's basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**HURON INTERMEDIATE SCHOOL DISTRICT
BAD AXE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Huron Intermediate School District, located in Bad Axe, Michigan is one of 57 Intermediate School Districts in the State of Michigan and serves the 15 local public school districts and five non-public schools in Huron County. Huron ISD has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) and is in its fourth year of reporting.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds, governmental activities and business-type activities, remains stable for Huron ISD. Financial goals have been met with consideration to the state's current economy with reductions in categorical state grant funds. Resources are available for the 2007-2008 fiscal year with revenue and expenditure patterns being maintained.

The assets of Huron Intermediate School District exceeded its liabilities at the close of fiscal year 2007 by \$10,630,130 (net assets). Of this amount, \$7,422,470 (unrestricted net assets) may be used to meet the District's ongoing obligations to students, taxpayers, and creditors.

The Districts total net assets increased by \$1,208,294.

As of the close of the current fiscal year, the district's governmental funds reported combined ending fund balances of \$7,817,989 an increase of \$1,361,307 in comparison with the prior year.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (general fund, special education fund, and career and technical education fund) was \$7,663,633 or 68% of the total expenditures of these operating funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the district's basic financial statements. The district's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements display functions of the district that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the district include instruction, support services, and transfers to locals and other services. The district has no business-type activities as of and for the year ended June 30, 2007.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district fall within the governmental fund type category.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The district maintains seven different government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund, career and technical education fund, and adult education fund, each of which are considered to be a major fund. Data from the other three government funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The district adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The governmental fund financial statements can be found on pages 3-4 and 6-7 of this report, with reconciliations between the two types of statements on pages 5 and 8.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the district's major funds. Required supplementary information can be found on pages 23-26 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the supplementary information. Combining fund statements can be found on pages 27-28 of this report.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Government-wide Financial Analysis

The school district's net assets were \$10,630,130 at June 30, 2007. Of this amount, \$7,422,470 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school district's ability to use those net assets for day-to-day operations.

As required by the Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present a comparative analysis of government-wide data for the fiscal years ended June 30, 2007 and 2006, respectively.

District's Net Assets

	<u>2007</u>	<u>2006</u>
Current assets	\$ 9,134,966	\$ 7,661,491
Non-current assets	<u>3,478,295</u>	<u>3,709,524</u>
Total Assets	<u>\$ 12,613,261</u>	<u>\$ 11,371,015</u>
Current liabilities	\$ 1,355,599	\$ 1,249,146
Non-current liabilities	<u>627,532</u>	<u>700,033</u>
Total Liabilities	<u>\$ 1,983,131</u>	<u>\$ 1,949,179</u>
Net Assets:		
Invested in capital assets, net of related debt	\$ 3,127,466	\$ 3,358,695
Restricted for capital projects	80,194	
Unrestricted	<u>7,422,470</u>	<u>6,063,141</u>
Total Net Assets	<u>\$ 10,630,130</u>	<u>\$ 9,421,836</u>

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental-type activities.

District's Changes in Net Assets

	Governmental Activities	
REVENUE:	<u>2007</u>	<u>2006</u>
Program Revenue:		
Charges for services	\$ 668,010	\$ 295,976
Operating grants	1,842,211	2,555,850
General Revenue:		
Property taxes, levied for general purposes	7,043,029	6,746,977
Investment earnings	285,035	232,158
State sources	2,424,308	2,425,467
Other	<u>720,985</u>	<u>901,037</u>
Total Revenue	<u>12,983,578</u>	<u>13,157,465</u>
EXPENSES		
Instruction	3,437,130	4,418,949
Supporting Services	6,035,545	5,479,924
Community Services	37,657	4,085
Transfers to other districts	1,989,310	1,761,445
Interest & fees on long-term debt	8,928	8,284
Unallocated depreciation	<u>266,714</u>	<u>269,467</u>
Total Expenses	<u>11,775,284</u>	<u>11,942,154</u>
Governmental Activities Increase(Decrease) In Net Assets	1,208,294	1,215,311
Assets, Beginning of Year	<u>9,421,836</u>	<u>8,206,525</u>
Net Assets, End of Year	<u>\$ 10,630,130</u>	<u>\$ 9,421,836</u>

Major Governmental Funds Budgeting and Operating Highlights

The School districts budgets are prepared according to Michigan Law. The most significant budgeted funds are the general fund, special education fund, career and technical education fund, and adult education fund.

The District amended the budget of these major governmental funds twice during the fiscal year ended June 30, 2007.

General Fund - the general fund actual revenue was \$1,426,179. That amount is above the original budget estimates of \$1,211,583 and above the final budget amendment of \$1,356,955. The variance between the actual revenue, the original budget, and the final budget was the result of an increase in local revenue sources.

The actual expenditures and other financing sources/(uses) of the general fund were \$1,223,879, which is above the original budget of \$1,198,934 and below the final amendment

budget of \$1,309,819. The variance was due reduced expenditures in instructional staffing, maintenance and support services funded by the general fund, in addition to normal year-end variances.

General fund had total revenues of \$1,426,179 and total expenditures of \$1,223,879 with an ending fund balance of \$985,731.

Special Education Fund- the special education fund actual revenue was \$ 8.51 million. That amount is above the original budget of \$8.09 million and is above than the final amendment of \$8.48 million. The variance was mainly due normal year-end variances.

The actual expenditures and other financing sources/(uses) of the special education fund were \$7.53 million, which is below the original budget of \$7.94 million and below the final amendment of \$8.11 million. The variance included a reduction in student support services, operations and maintenance due to staffing downsizing and reduced maintenance needs. Transfers to support the Local School Districts special education programs were also less than expected.

Special education fund had total revenue of \$8.51 million and total expenditures of \$7.53 million with an ending fund balance of \$5.79 million.

Career and Technical Education Fund- the career and technical education fund actual revenue was \$2.79 million. That amount is below the original budget of \$2.9 million and above the final amendment of \$2.77 million. The variance was mainly due to normal year-end variances.

The actual expenditures and other financing sources/(uses) were \$2.59 million, which is below the original budget of \$2.9 million and below the final amendment of \$2.74 million. The variance is the result of lower than anticipated instruction costs and the reduced administrative staffing of the program for the first half of the school year in addition to normal year-end variances.

The technology education fund had total revenue of \$2.79 million and total expenditures of \$2.59 million with an ending fund balance of \$883,138.

Adult Education Fund – the adult education fund actual revenue was \$533,202. That amount was below the original budget of \$557,600 and below the final amendment of \$548,476. The variance was mainly due to normal year-end variances.

The actual expenditures and other financing sources (uses) were \$543,364, which was below the original budget of \$570,768 and above the final amendment of \$539,241. The variance was mainly due to normal year-end variances.

The adult education fund had total revenue of \$533,202 and total expenditures of \$543,364, with an ending fund balance of \$41,656.

Capital Asset and Debt Administration

Capital Assets - at the end of fiscal year 2007, the district had \$7.30 million invested in land, buildings, office, instructional, and transportation equipment. Of this amount, \$3.82 million in depreciation has been taken over the years. The district has net capital assets of \$3.47 million. Total additions for the year were \$35,485. There were no deletions.

District's Capital Assets (Net of depreciation) June 30, 2007

Land	\$ 80,000
Buildings and improvements	5,014,579
Furniture and fixtures	572,102
Machinery and equipment	1,635,095
Subtotal-	\$ 7,301,776
Accumulated depreciation	\$ 3,823,481
Net capital Assets	\$ 3,478,295

Additional information on the District's capital assets can be found on page 18 of this report.

Long-term Debt

At the end of the current fiscal year, the district had a total bonded debt outstanding of \$350,829. None of this balance is a general obligation of the district and does not constitute an indebtedness of the district within any constitutional or statutory limitation, and is payable solely from state aid payments from the State of Michigan.

Economic Factors and Next Year's Budget

The economy in the State of Michigan continues to be sluggish. This sluggish economy could affect funding for the 2007-08 school year, as a pro-ration of State Aid is possible. The original budget established for the 2007-08 school year assumed State Aid revenues based on the funding levels in the 2006-07 revenue stream.

Requests for Information

The financial report is designed to provide a general overview of the district's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Huron Intermediate School District, 711 E. Soper Road, Bad Axe, Michigan 48413.

BASIC FINANCIAL STATEMENTS

HURON INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2007

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,409,049
Investments	6,836,238
Property taxes receivable	22,090
Accounts receivable	5,010
Due from other governmental units	801,104
Due from agency funds	4,319
Prepaid expenses	57,156
	<hr/>
TOTAL CURRENT ASSETS	9,134,966
	<hr/>
NONCURRENT ASSETS:	
Capital assets	7,301,776
Less accumulated depreciation	(3,823,481)
	<hr/>
TOTAL NONCURRENT ASSETS	3,478,295
	<hr/>
TOTAL ASSETS	<u><u>\$ 12,613,261</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 305,757
Salaries payable	653,471
Accrued expenses	34,352
Accrued interest	60,712
Deferred revenue	220,143
Other current liabilities	81,164
Current portion of compensated absences	-
Current portion of long term debt	-
	<hr/>
TOTAL CURRENT LIABILITIES	1,355,599
	<hr/>
NONCURRENT LIABILITIES:	
Noncurrent portion of compensated absences	276,703
Noncurrent portion of long term debt	350,829
	<hr/>
TOTAL LIABILITIES	1,983,131
	<hr/>
NET ASSETS:	
Invested in capital assets, net of related debt	3,127,466
Restricted for capital projects	80,194
Unrestricted	7,422,470
	<hr/>
TOTAL NET ASSETS	10,630,130
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,613,261</u></u>

The accompanying notes are an integral part of the financial statements.

HURON INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,437,130		\$ 552,663	\$ (2,884,467)
Support services	6,035,545	\$ 668,010	1,289,548	(4,077,987)
Community services	37,657			(37,657)
Transfers to other governmental units	1,989,310			(1,989,310)
Interest on long-term debt	8,928		-	(8,928)
Unallocated depreciation	266,714			(266,714)
Total governmental activities	<u>\$ 11,775,284</u>	<u>\$ 668,010</u>	<u>\$ 1,842,211</u>	<u>(9,265,063)</u>
General revenues:				
Property taxes, levied for general purposes				7,043,029
State sources				2,424,308
Investment revenue				285,035
Transfers from other governmental units				149,380
Miscellaneous				571,605
Total general revenue				<u>10,473,357</u>
Change in net assets				1,208,294
Net assets, beginning of year				<u>9,421,836</u>
Net assets, end of year				<u>\$ 10,630,130</u>

The accompanying notes are an integral part of the financial statements.

HURON INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	SPECIAL REVENUE			
	GENERAL FUND	SPECIAL EDUCATION	CAREER TECH EDUCATION	ADULT EDUCATION
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 776,776	\$ 219,609	\$ 127,285	\$ 174,919
Investments	141,275	5,772,527	922,436	-
Accounts receivable	5,010	-	-	-
Due from other governmental units	171,065	528,585	50,215	51,239
Due from other funds	197,011	21,698	118,979	-
Due from agency funds	4,319	-	-	-
Prepaid expenses	57,156	-	-	-
TOTAL ASSETS	<u>\$ 1,352,612</u>	<u>\$ 6,542,419</u>	<u>\$ 1,218,915</u>	<u>\$ 226,158</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 8,763	\$ 233,482	\$ 60,691	\$ 1,584
Due to other funds	15,515	59,334	136,436	129,880
Salaries payable	46,296	430,587	131,244	45,344
Accrued payroll liabilities	-	24,252	7,406	2,694
Deferred revenue	215,143	-	-	5,000
Other current liabilities	81,164	-	-	-
TOTAL LIABILITIES	<u>366,881</u>	<u>747,655</u>	<u>335,777</u>	<u>184,502</u>
FUND BALANCE:				
Reserved for Donation		25,000		
Unreserved:				
Designated for capital outlay				
Designated for unemployment				
Designated for compensated absences	48,608	137,369	84,782	5,944
Undesignated	937,123	5,632,395	798,356	35,712
TOTAL FUND BALANCE	<u>985,731</u>	<u>5,794,764</u>	<u>883,138</u>	<u>41,656</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 1,352,612</u>	<u>\$ 6,542,419</u>	<u>\$ 1,218,915</u>	<u>\$ 226,158</u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 110,460	\$ 1,409,049
	6,836,238
	5,010
	801,104
3,477	341,164
	4,319
	57,156
<u>\$ 113,937</u>	<u>\$ 9,454,040</u>

\$ 1,237	\$ 305,757
	341,164
	653,471
	34,352
	220,143
	81,164
<u>1,237</u>	<u>1,636,051</u>

	25,000
80,194	80,194
32,506	32,506
	276,703
	7,403,586
<u>112,700</u>	<u>7,817,989</u>
<u>\$ 113,937</u>	<u>\$ 9,454,040</u>

HURON INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2007

Total Fund Balances - Governmental Funds	\$ 7,817,989
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of capital assets	7,301,776
Accumulated depreciation	(3,823,481)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Bonds payable- Durant	(350,829)
Compensated absences	(276,703)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(60,712)
Balance of taxes receivable at 6/30/07 less allowance for doubtful accounts	<u>22,090</u>
Net Assets of Governmental Activities	<u><u>\$ 10,630,130</u></u>

The accompanying notes are an integral part of the financial statements.

HURON INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	SPECIAL REVENUE			
	GENERAL FUND	SPECIAL EDUCATION	CAREER TECH EDUCATION	ADULT EDUCATION
REVENUES:				
Local sources	\$ 474,977	\$ 5,777,983	\$ 2,079,229	\$ 252,534
State sources	801,133	1,268,277	311,999	42,899
Federal sources	13,189	1,421,892	169,361	237,769
TOTAL REVENUES	1,289,299	8,468,152	2,560,589	533,202
EXPENDITURES:				
Instruction	192,370	1,704,046	1,335,836	204,878
Student services		2,262,492	122,858	298,972
Instructional support	289,246	640,471	187,411	205
General administration	220,075	61,255	24,094	
School administration	141,610	229,959	226,423	21,484
Business administration	52,219	256,444	6,517	
Operation and maintenance	25,006	172,494	461,146	5,668
Transportation		97,812	2,233	
Other support services	78,224	106,930	178,157	
Community services	16,018	9,482	-	12,157
Capital outlay				
Debt service				
TOTAL EXPENDITURES	1,014,768	5,541,385	2,544,675	543,364
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	274,531	2,926,767	15,914	(10,162)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	30,000	-	231,196	
Operating transfers out	(142,002)	(119,194)	-	
Transfers from other governmental units	106,880	42,500	-	
Transfers to other governmental units	(67,109)	(1,873,914)	(48,287)	
TOTAL OTHER FINANCING SOURCES (USES)	(72,231)	(1,950,608)	182,909	-
Excess of Revenues over Expenditures & Other Uses (Sources)	202,300	976,159	198,823	(10,162)
FUND BALANCE - BEGINNING OF YEAR	783,431	4,818,605	684,315	51,818
FUND BALANCE - END OF YEAR	\$ 985,731	\$ 5,794,764	\$ 883,138	\$ 41,656

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 435	\$ 8,585,158
	2,424,308
	1,842,211
<u>435</u>	<u>12,851,677</u>
	3,437,130
	2,684,322
	1,117,333
	305,424
	619,476
	315,180
	664,314
	100,045
1,238	364,549
	37,657
5,010	5,010
	<u>-</u>
<u>6,248</u>	<u>9,650,440</u>
(5,813)	3,201,237
	261,196
	(261,196)
	149,380
	<u>(1,989,310)</u>
<u>-</u>	<u>(1,839,930)</u>
(5,813)	1,361,307
<u>118,513</u>	<u>6,456,682</u>
<u>\$ 112,700</u>	<u>\$ 7,817,989</u>

HURON INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2007

Total net change in fund balances--governmental funds **\$ 1,361,307**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(266,714)
Capital outlay	35,485

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	51,784
Accrued interest payable at the end of the year	(60,712)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Property tax receivable at the beginning of the year	(39,569)
Property tax receivable at the end of the year	22,090

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	381,326
Accrued absences at the end of the year	<u>(276,703)</u>

Change in net assets of governmental activities **\$ 1,208,294**

The accompanying notes are an integral part of the financial statements.

**HURON INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>TRUST & AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 63,234
Investments	<u> </u>
TOTAL ASSETS	<u>\$ 63,234</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to other organizations	\$ 58,915
Due to general fund	<u>4,319</u>
TOTAL LIABILITIES	<u>63,234</u>
Fund Balance:	
Reserved for programs	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 63,234</u>

The accompanying notes are an integral part of the financial statements.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Huron Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statements #14 and #39.

Based upon the application of these criteria, the basic financial statements of Huron Intermediate School District contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the district nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following **major** governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's **major** special revenue funds consist of the Special Education, Career Technical Education, and Adult Education Funds.

The District reports the following **nonmajor** governmental funds:

The *Special Revenue Funds* that are considered **nonmajor** consist of the Unemployment Compensation Fund.

The *Debt Service Fund* accounts for the servicing of general long-term debt. Durant accounts for the resources accumulated and payments made for other revenue and interest on long-term limited obligation debt as a result of the Durant settlement.

The *Building and Site Fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds:

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following **fiduciary** fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements (statements of net assets; statements of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan uses a foundation grant approach, which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2006 to August, 2007. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

For the year ended June 30, 2007, approximately \$144,589 of non cash transactions from the Michigan Department of Education (MDE) has been recorded as state aid revenue and pension expenditures/prepaid pension as a result of a change in funding by the MDE.

HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

For the year ended June 30, 2007, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	0.1169
Special Revenue Funds:	
Special Education Fund	3.2886
Career Technical Education Fund	1.3431

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$5,000.

5. Compensated Absences.

Accumulated vacation and sick pay amounts, which are expected to be liquidated with expendable available resources (generally sixty days), are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon death or retirement of a covered employee or upon an employee's voluntary termination after 15 years of continuous service, accumulated sick days become vested and are payable at one half of the employees current rate of pay for a maximum of 125 days for administrative and non-union support staff. Professional bargaining unit staff is paid 70% of the current substitute pay per day for a maximum of 105 days. An estimate of the present value of this liability has been recorded in the statement of net assets.

6. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30 are accrued, if material.

7. Long-term obligations.

The District reports long-term debt of governmental funds at face value in the statement of net assets. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Deferred Revenues:

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

9. Retirement Plan.

Substantially all of the District's employees participate in the Michigan Public School Employee's Retirement System. See Note 8.

10. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

11. Interfund Transactions.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

12. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2 – STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital projects funds. All annual appropriations lapse at fiscal year end. The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances – budget (GAAP basis) and actual – general, special revenue, and debt service.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the major funds are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Expenditures in the various major funds exceeded the budget on several line items as detailed on pages 23-26. These constitute PA 621 violations.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 3 - DEPOSITS AND INVESTMENTS – CREDIT RISK:

As of June 30, 2007 the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	\$ 2,131,830	0.0027	AAAm	45.4%
MILAF External Investment pool -MIMAX	4,704,408	0.0027	AAAm	54.6%
Total fair value	<u>\$ 6,836,238</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		
1 day maturity equals 0.0027, one year equals 1.00				

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2007, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2007, \$766,786 of the District's bank balance of \$989,749 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 3 - DEPOSITS AND INVESTMENTS – CREDIT RISK, (Continued):

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 63,234
Cash - District wide	1,409,049
Investments - District wide	<u>6,836,238</u>
	<u><u>\$ 8,308,521</u></u>

NOTE 4 - CAPITAL ASSETS:

The following is a summary of changes in the capital assets during the fiscal year:

	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
Assets not being depreciated – land	\$ 80,000			\$ 80,000
Other capital assets:				
Buildings	4,573,678		\$ -	4,573,678
Improvements	440,901		-	440,901
Furniture & Fixtures	572,102		-	572,102
Machinery & Equipment	<u>1,599,610</u>	<u>\$ 35,485</u>	<u>-</u>	<u>1,635,095</u>
Subtotal other capital assets	7,186,291	35,485	-	7,221,776
Accumulated depreciation:				
Buildings	(1,532,934)	(80,664)		(1,613,598)
Improvements	(317,845)	(10,577)		(328,422)
Furniture & Fixtures	(458,476)	(18,831)		(477,307)
Machinery & Equipment	<u>(1,247,512)</u>	<u>(156,642)</u>	<u>-</u>	<u>(1,404,154)</u>
Total accumulated depreciation	<u>(3,556,767)</u>	<u>(266,714)</u>	<u>-</u>	<u>(3,823,481)</u>
Net other capital assets:	<u>3,629,524</u>	<u>(231,229)</u>	<u>-</u>	<u>3,398,295</u>
Net Capital Assets	<u><u>\$3,709,524</u></u>	<u><u>\$(231,229)</u></u>	<u><u>\$ -</u></u>	<u><u>\$3,478,295</u></u>

Depreciation for the fiscal year ended June 30, 2007 amounted to \$266,714. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2007 are as follows:

	<u>INTERFUND RECEIVABLE</u>	<u>INTERFUND PAYABLE</u>
General Fund	\$201,330	\$ 15,516
Special Revenue Fund:		
Special Education Fund	21,698	59,333
Career Technical Education Fund	118,978	136,436
Adult Education Fund		129,879
Capital Project Fund	3,477	
Fiduciary Fund Type	<u>-</u>	<u>4,319</u>
Total	<u>\$345,483</u>	<u>\$345,483</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 6 - LONG-TERM DEBT:

OUTSTANDING DEBT:

The following is a summary of long-term obligations for the District for the year ended June 30, 2007:

Limited obligation (Durant) bond, due in annual installments of \$26,198 - \$196,895 through May 2013, with interest of 4.76%.	\$350,829
Accumulated compensated absences	<u>276,703</u>
Total long-term debt	<u>\$627,532</u>

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2007 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2008	0	0	0
2009	\$202,059	\$78,277	\$280,336
2010	34,640	7,083	41,723
2011	36,290	5,434	41,724
2012	38,015	3,706	41,721
2013	39,824	1,897	41,721
2014	<u>-</u>	<u>-</u>	<u>-</u>
	350,829	96,397	447,226
Accumulated compensated absences	<u>276,703</u>	<u>-</u>	<u>276,703</u>
	<u>\$627,532</u>	<u>\$96,397</u>	<u>\$723,929</u>

An amount of \$0 is available in the debt service fund to service the general obligation debt.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 6 - LONG-TERM DEBT, (Continued):

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2007:

	ACCUMULATED SICK & VACATION PAY	GENERAL OBLIGATIONS
Long-term debt, July 1, 2006	\$381,326	\$350,829
Additions:		
Net increase (decrease) in accumulated compensated absences	(104,623)	
Deductions:		
Principal payments made	<u> </u>	<u> 0</u>
Long-term debt, June 30, 2007	<u>\$276,703</u>	<u>\$350,829</u>

Interest expense (all funds) for the years ended June 30, 2007 was \$8,927

NOTE 7 - OPERATING LEASES:

The School District leases equipment under operating lease agreements that expire in June 2012. At June 30, 2007, future lease payments under this lease is as follows:

June 30, 2008	\$25,811
June 30, 2009	25,811
June 30, 2010	4,765
June 30, 2011	2,028
June 30, 2012	845

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2007 was 16.34% through September 30, 2006 and 17.74% for October 1, 2006 through June 30, 2007. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2007, 2006, and 2005 were \$849,587, \$795,875, and \$750,063, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

OTHER POST-EMPLOYMENT BENEFITS:

Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 9 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

NOTE 10 – TRANSFERS:

Transfers were made between funds to supplement program costs. A summary is as follows:

	<u>Transfers To</u>	<u>Transfers From</u>
General Fund	\$142,002	\$ 30,000
Special Education Fund	119,194	-
Career Technical Education Fund	<u>-</u>	<u>231,196</u>
Total	<u>\$261,196</u>	<u>\$261,196</u>

Transfers were made between funds to subsidize programs and to reimburse shared administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 341,148	\$ 378,579	\$ 474,977	\$ 96,398
State sources	746,932	825,034	801,133	(23,901)
Federal sources	10,303	6,442	13,189	6,747
TOTAL REVENUE	1,098,383	1,210,055	1,289,299	79,244
EXPENDITURES:				
Instruction	229,774	188,138	192,370	(4,232)
Supporting services:				
Instructional staff	307,557	332,543	289,246	43,297
General administration	191,614	207,295	220,075	(12,780)
School administration	175,283	149,034	141,610	7,424
Business administration	56,480	36,711	52,219	(15,508)
Operation and maintenance	49,000	56,671	25,006	31,665
Other support services	129,266	113,455	78,224	35,231
Community services	7,260	12,120	16,018	(3,898)
TOTAL EXPENDITURES	1,146,234	1,095,967	1,014,768	81,199
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(47,851)	114,088	274,531	160,443
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(52,700)	(142,002)	(142,002)	-
Transfers from other funds		30,000	30,000	-
Transfers to other governmental units		(71,850)	(67,109)	4,741
Transfers from other governmental units	113,200	116,900	106,880	(10,020)
Insurance reimbursements				-
TOTAL OTHER FINANCING SOURCES (USES)	60,500	(66,952)	(72,231)	(5,279)
Excess of Revenues over Expenditures & Other Uses (Sources)	12,649	47,136	202,300	155,164
FUND BALANCE - JULY 1	783,431	783,431	783,431	-
FUND BALANCE - JUNE 30	\$ 796,080	\$ 830,567	\$ 985,731	\$ 155,164

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 5,345,602	\$ 5,478,659	\$ 5,777,983	\$ 299,324
State sources	1,308,831	1,555,595	1,268,277	(287,318)
Federal sources	1,435,463	1,446,351	1,421,892	(24,459)
TOTAL REVENUE	8,089,896	8,480,605	8,468,152	(12,453)
EXPENDITURES:				
Instruction	1,851,261	1,815,810	1,704,046	111,764
Supporting services				
Student services	2,487,045	2,461,217	2,262,492	198,725
Instructional support	881,887	668,454	640,471	27,983
General administration	42,247	71,647	61,255	10,392
School administration	192,024	238,092	229,959	8,133
Business administration	149,302	266,811	256,444	10,367
Operation & maintenance	212,055	249,245	172,494	76,751
Transportation	106,525	105,525	97,812	7,713
Other support services	125,435	96,127	106,930	(10,803)
Community services	1,000	1,000	9,482	(8,482)
TOTAL EXPENDITURES	6,048,781	5,973,928	5,541,385	432,543
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	2,041,115	2,506,677	2,926,767	420,090
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(46,694)	(119,194)	(119,194)	-
Transfers to other governmental units	(1,844,000)	(2,017,000)	(1,873,914)	143,086
Transfers from other governmental units		-	42,500	42,500
TOTAL OTHER FINANCING SOURCES (USES)	(1,890,694)	(2,136,194)	(1,950,608)	185,586
Excess of Revenues over Expenditures & other Uses (Sources)	150,421	370,483	976,159	605,676
FUND BALANCE - JULY 1	4,818,605	4,818,605	4,818,605	-
FUND BALANCE - JUNE 30	\$ 4,969,026	\$ 5,189,088	\$ 5,794,764	\$ 605,676

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAREER TECH EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 2,064,602	\$ 2,042,197	\$ 2,079,229	\$ 37,032
State sources	407,199	318,791	311,999	(6,792)
Federal sources	295,231	180,754	169,361	(11,393)
TOTAL REVENUE	2,767,032	2,541,742	2,560,589	18,847
EXPENDITURES:				
Instruction	1,399,117	1,387,156	1,335,836	51,320
Supporting services				
Student services	119,572	124,327	122,858	1,469
Instructional support	166,023	192,098	187,411	4,687
General administration	49,930	41,772	24,094	17,678
School administration	272,823	277,042	226,423	50,619
Business administration	83,321	24,381	6,517	17,864
Operation & maintenance	415,504	421,792	461,146	(39,354)
Transportation	4,262	4,262	2,233	2,029
Other support services	211,180	188,583	178,157	10,426
Community services	-	-	-	-
TOTAL EXPENDITURES	2,721,732	2,661,413	2,544,675	116,738
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	45,300	(119,671)	15,914	135,585
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	-	-
Transfers from other funds	135,277	231,196	231,196	-
Transfers to other governmental units	(181,974)	(76,900)	(48,287)	28,613
TOTAL OTHER FINANCING SOURCES (USES)	(46,697)	154,296	182,909	28,613
Excess of Revenues over Expenditures & other Uses (Sources)	(1,397)	34,625	198,823	164,198
FUND BALANCE - JULY 1	684,315	684,315	684,315	-
FUND BALANCE - JUNE 30	\$ 682,918	\$ 718,940	\$ 883,138	\$ 164,198

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ADULT EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2007

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 270,110	\$ 234,000	\$ 252,534	\$ 18,534
State sources	31,867	33,853	42,899	9,046
Federal sources	255,623	280,623	237,769	(42,854)
TOTAL REVENUE	557,600	548,476	533,202	(15,274)
EXPENDITURES:				
Instruction	273,700	183,614	204,878	(21,264)
Supporting services				
Student services	235,612	303,037	298,972	4,065
Instructional support	445	445	205	240
School administration	29,000	20,134	21,484	(1,350)
Operation & maintenance	20,011	20,011	5,668	14,343
Community services	12,000	12,000	12,157	(157)
TOTAL EXPENDITURES	570,768	539,241	543,364	(4,123)
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(13,168)	9,235	(10,162)	(19,397)
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
Excess of Revenues over Expenditures & other Uses (Sources)	(13,168)	9,235	(10,162)	(19,397)
FUND BALANCE - JULY 1	51,818	51,818	51,818	-
FUND BALANCE - JUNE 30	\$ 38,650	\$ 61,053	\$ 41,656	\$ (19,397)

ADDITIONAL INFORMATION

**HURON INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>UNEMPLOYMENT COMPENSATION FUND</u>	<u>DURANT BOND DEBT RETIREMENT</u>	<u>BUILDING AND SITE</u>	<u>TOTAL</u>
ASSETS				
Cash and cash equivalents	\$ 33,743		\$ 76,717	\$ 110,460
Due from other funds			3,477	3,477
Due from other governmental units	-			-
TOTAL ASSETS	<u>\$ 33,743</u>	<u>\$ -</u>	<u>\$ 80,194</u>	<u>\$ 113,937</u>
LIABILITIES				
Accounts payable	\$ 1,237		\$ -	\$ 1,237
TOTAL LIABILITIES	<u>1,237</u>	<u>-</u>	<u>-</u>	<u>1,237</u>
FUND BALANCES				
Reserved for unemploment	32,506			32,506
Reserved for capital projects			80,194	80,194
TOTAL FUND BALANCES	<u>32,506</u>	<u>-</u>	<u>80,194</u>	<u>112,700</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,743</u>	<u>\$ -</u>	<u>\$ 80,194</u>	<u>\$ 113,937</u>

HURON INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>UNEMPLOYMENT COMPENSATION FUND</u>	<u>DURANT BOND DEBT RETIREMENT</u>	<u>BUILDING AND SITE</u>	<u>TOTAL</u>
REVENUES:				
Local sources	\$ 134		\$ 301	\$ 435
TOTAL REVENUES	134	-	301	435
OTHER FINANCING SOURCES				
Transfers from other funds	-		-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>134</u>	<u>-</u>	<u>301</u>	<u>435</u>
EXPENDITURES:				
Current:				
Instruction				-
Supporting services	1,238			1,238
Community Services				-
Capital projects			5,010	5,010
TOTAL EXPENDITURES	1,238	-	5,010	6,248
OTHER FINANCING USES				
Transfers to other funds	-		-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>1,238</u>	<u>-</u>	<u>5,010</u>	<u>6,248</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(1,104)</u>	<u>-</u>	<u>(4,709)</u>	<u>(5,813)</u>
FUND BALANCE - JULY 1	<u>33,610</u>	<u>-</u>	<u>84,903</u>	<u>118,513</u>
FUND BALANCE - JUNE 30	<u>\$ 32,506</u>	<u>\$ -</u>	<u>\$ 80,194</u>	<u>\$ 112,700</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 175,007	\$ 184,932	\$ 9,925
Income on investments and deposits	30,000	93,762	63,762
Other local revenues	173,572	196,283	22,711
TOTAL REVENUE FROM LOCAL SOURCES	<u>378,579</u>	<u>474,977</u>	<u>96,398</u>
REVENUE FROM STATE SOURCES:			
State aid- sec 81	451,940	451,940	-
Math and science challenge grant- sec 99.1	62,659	61,344	(1,315)
Durant	155,335	122,049	(33,286)
Renaissance zone	-	700	700
School readiness	155,100	155,100	-
Other state revenues	-	10,000	10,000
TOTAL REVENUES FROM STATE SOURCES	<u>825,034</u>	<u>801,133</u>	<u>(23,901)</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	-	1,620	1,620
Title V	1,170	1,170	-
Other federal revenues	5,272	10,399	5,127
TOTAL REVENUES FROM FEDERAL SOURCES	<u>6,442</u>	<u>13,189</u>	<u>6,747</u>
TOTAL REVENUES	<u>1,210,055</u>	<u>1,289,299</u>	<u>79,244</u>
OTHER FINANCING SOURCES			
Transfers from other funds	30,000	30,000	-
Transfer from other governmental units	116,900	106,880	(10,020)
TOTAL OTHER FINANCING SOURCES	<u>146,900</u>	<u>136,880</u>	<u>(10,020)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,356,955</u>	<u>\$ 1,426,179</u>	<u>\$ 69,224</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 81,386	\$ 82,178	\$ (792)
Salaries- non-professional	22,930	25,816	(2,886)
Insurances	41,099	39,289	1,810
Fica, retirement, and other benefits	21,470	22,228	(758)
Purchased services	14,978	14,515	463
Supplies and materials	6,275	8,344	(2,069)
TOTAL INSTRUCTION	<u>188,138</u>	<u>192,370</u>	<u>(4,232)</u>
SUPPORTING SERVICES:			
Instructional Support			
Salaries- professional	88,980	91,523	(2,543)
Salaries- non-professional	6,962	8,398	(1,436)
Insurances	25,310	24,840	470
Fica, retirement, and other benefits	24,618	25,911	(1,293)
Purchased services	162,256	113,440	48,816
Supplies and materials	13,225	13,942	(717)
Capital outlay	11,081	11,081	-
Other	111	111	-
Total Instructional Support	<u>332,543</u>	<u>289,246</u>	<u>43,297</u>
General Administration			
Salaries- professional	61,500	87,052	(25,552)
Salaries- non-professional	8,636	10,384	(1,748)
Insurances	13,532	15,767	(2,235)
Fica, retirement, and other benefits	21,527	21,082	445
Purchased services	65,000	52,828	12,172
Supplies and materials	17,100	21,328	(4,228)
Other	20,000	11,634	8,366
Total General Administration	<u>207,295</u>	<u>220,075</u>	<u>(12,780)</u>
School Administration			
Salaries- professional	49,278	48,914	364
Salaries- non-professional	41,199	41,234	(35)
Insurances	27,836	24,071	3,765
Fica, retirement, and other benefits	21,971	21,114	857
Supplies and materials	3,000	3,544	(544)
Purchased services	5,000	2,286	2,714
Other	750	447	303
Total School Administration	<u>149,034</u>	<u>141,610</u>	<u>7,424</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Business Administration			
Salaries- professional	\$ 5,407	\$ 10,802	\$ (5,395)
Salaries- non-professional	6,102	13,365	(7,263)
Insurances	3,922	11,939	(8,017)
Fica, retirement, and other benefits	2,530	5,129	(2,599)
Supplies and materials	-	-	-
Purchased services	15,750	8,410	7,340
Other	3,000	2,574	426
Total Business Administration	<u>36,711</u>	<u>52,219</u>	<u>(15,508)</u>
Operation and Maintenance			
Purchased services	38,500	12,007	26,493
Supplies and materials	10,000	4,943	5,057
Capital outlay	8,171	8,056	115
Total Operation and Maintenance	<u>56,671</u>	<u>25,006</u>	<u>31,665</u>
Other Support Services			
Salaries- professional	-	-	-
Salaries- non-professional	8,635	33,011	(24,376)
Insurances	-	-	-
Fica, retirement, and other benefits	7,002	8,387	(1,385)
Purchased services	32,108	29,783	2,325
Supplies and materials	-	-	-
Capital outlay	65,660	6,993	58,667
Other	50	50	-
Total Other Support Services	<u>113,455</u>	<u>78,224</u>	<u>35,231</u>
TOTAL SUPPORT SERVICES	<u>895,709</u>	<u>806,380</u>	<u>89,329</u>
COMMUNITY SERVICES			
Salaries- professional	3,325	3,325	-
Salaries- non-professional	-	-	-
Insurances	-	-	-
Fica, retirement, and other benefits	76	82	(6)
Purchased services	5,200	7,918	(2,718)
Supplies and materials	3,519	4,693	(1,174)
TOTAL COMMUNITY SERVICES	<u>12,120</u>	<u>16,018</u>	<u>(3,898)</u>
TOTAL EXPENDITURES	<u>1,095,967</u>	<u>1,014,768</u>	<u>81,199</u>
OTHER FINANCING USES			
Transfers to other funds	142,002	142,002	-
Transfers to other governmental units	71,850	67,109	4,741
TOTAL OTHER FINANCING USES	<u>213,852</u>	<u>209,111</u>	<u>4,741</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 1,309,819</u>	<u>\$ 1,223,879</u>	<u>\$ 85,940</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 4,883,659	\$ 4,914,036	\$ 30,377
Earnings on investments and deposits	150,000	178,327	28,327
Medicaid	415,000	622,970	207,970
Other local revenues	30,000	62,650	32,650
TOTAL REVENUE FROM LOCAL SOURCES	<u>5,478,659</u>	<u>5,777,983</u>	<u>299,324</u>
REVENUE FROM STATE SOURCES:			
Special education	1,555,595	1,268,277	(287,318)
Other state sources	-	-	-
TOTAL REVENUE FROM STATE SOURCES	<u>1,555,595</u>	<u>1,268,277</u>	<u>(287,318)</u>
REVENUE FROM FEDERAL SOURCES:			
B.E.S.T. grant	5,000	-	(5,000)
94-142 revenues	1,229,067	1,229,067	-
State initiated grants	45,000	45,000	-
Strong families, safe children	10,000	8,889	(1,111)
Preschool incentive	53,074	53,074	-
Regional collaborative	35,000	33,400	(1,600)
Medicare outreach	65,000	52,086	(12,914)
Other federal revenues	4,210	376	(3,834)
TOTAL REVENUE FROM FEDERAL SOURCES	<u>1,446,351</u>	<u>1,421,892</u>	<u>(24,459)</u>
TOTAL REVENUES	<u>8,480,605</u>	<u>8,468,152</u>	<u>(12,453)</u>
OTHER FINANCING SOURCES:			
Transfers from other governmental units	-	42,500	42,500
TOTAL OTHER FINANCING SOURCES	-	42,500	42,500
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 8,480,605</u>	<u>\$ 8,510,652</u>	<u>\$ 30,047</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Salaries- professional	\$ 430,941	\$ 471,253	\$ (40,312)
Salaries- non-professional	548,706	500,716	47,990
Insurances	500,468	399,646	100,822
Fica, retirement, and other benefits	253,340	252,025	1,315
Purchased services	51,300	59,085	(7,785)
Supplies and materials	21,115	17,012	4,103
Capital outlay	8,640	4,309	4,331
Other	1,300	-	1,300
TOTAL INSTRUCTION	<u>1,815,810</u>	<u>1,704,046</u>	<u>111,764</u>
SUPPORTING SERVICES			
Student Services			
Salaries- professional	1,411,585	1,360,662	50,923
Salaries- non-professional	9,434	20,606	(11,172)
Insurances	413,433	322,595	90,838
Fica, retirement, and other benefits	370,829	348,389	22,440
Purchased services	173,220	160,944	12,276
Supplies and materials	29,216	24,983	4,233
Capital outlay	53,500	24,313	29,187
Total Student Services	<u>2,461,217</u>	<u>2,262,492</u>	<u>198,725</u>
Instructional Support			
Salaries- professional	129,458	119,820	9,638
Salaries- non-professional	133,706	111,189	22,517
Insurances	60,910	53,612	7,298
Fica, retirement, and other benefits	66,320	55,731	10,589
Purchased services	168,610	191,348	(22,738)
Supplies and materials	49,450	55,240	(5,790)
Capital outlay	5,000	4,082	918
Other	55,000	49,449	5,551
Total Instructional Support	<u>668,454</u>	<u>640,471</u>	<u>27,983</u>
General Administration			
Salaries- professional	59,750	42,641	17,109
Salaries- non-professional	-	-	-
Insurances	4,376	8,106	(3,730)
Fica, retirement, and other benefits	7,521	10,508	(2,987)
Purchased Services	-	-	-
Total General Administration	<u>71,647</u>	<u>61,255</u>	<u>10,392</u>
School Administration			
Salaries- professional	149,884	133,002	16,882
Salaries- non-professional	-	-	-
Insurances	22,940	20,488	2,452
Fica, retirement, and other benefits	33,708	28,584	5,124
Purchased services	16,060	15,563	497
Supplies and materials	14,000	30,988	(16,988)
Capital outlay	1,500	1,334	166
Total School Administration	<u>238,092</u>	<u>229,959</u>	<u>8,133</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued)			
Business Administration			
Salaries- professional	\$ 58,950	\$ 57,766	\$ 1,184
Salaries- non-professional	66,533	72,350	(5,817)
Insurances	42,762	41,785	977
Fica, retirement, and other benefits	28,676	28,154	522
Purchased services	69,890	56,389	13,501
Total Business Administration	<u>266,811</u>	<u>256,444</u>	<u>10,367</u>
Operation and Maintenance			
Salaries- professional	-	10,635	(10,635)
Salaries- non-professional	64,418	41,456	22,962
Insurances	28,216	12,224	15,992
Fica, retirement, and other benefits	18,611	13,650	4,961
Purchased services	81,500	55,450	26,050
Supplies and materials	56,500	39,079	17,421
Capital outlay	-	-	-
Total Operation and Maintenance	<u>249,245</u>	<u>172,494</u>	<u>76,751</u>
Transportation			
Salaries- non-professional	14,000	11,641	2,359
Insurances	-	-	-
Fica, retirement, and other benefits	225	44	181
Purchased services	87,000	81,845	5,155
Supplies and materials	4,300	4,282	18
Capital outlay	-	-	-
Other	-	-	-
Total Transportation	<u>105,525</u>	<u>97,812</u>	<u>7,713</u>
Other Support Services			
Salaries- professional	68,047	76,753	(8,706)
Salaries- non-professional	-	-	-
Insurances	2,314	5,137	(2,823)
Fica, retirement, and other benefits	16,666	18,813	(2,147)
Purchased services	6,100	6,050	50
Supplies and materials	3,000	177	2,823
Total Other Support Services	<u>96,127</u>	<u>106,930</u>	<u>(10,803)</u>
TOTAL SUPPORT SERVICES	<u>4,157,118</u>	<u>3,827,857</u>	<u>329,261</u>
COMMUNITY SERVICES			
Purchased services	1,000	5,812	(4,812)
Insurances	-	2,193	(2,193)
Fica, retirement, and other benefits	-	1,477	(1,477)
Supplies and materials	-	-	-
TOTAL COMMUNITY SERVICES	<u>1,000</u>	<u>9,482</u>	<u>(8,482)</u>
TOTAL EXPENDITURES	<u>5,973,928</u>	<u>5,541,385</u>	<u>432,543</u>
OTHER FINANCING USES			
Transfers to other governmental units	2,017,000	1,873,914	143,086
Transfers to other funds	119,194	119,194	-
Loan Payments	-	-	-
TOTAL OTHER FINANCING USES	<u>2,136,194</u>	<u>1,993,108</u>	<u>143,086</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$8,110,122</u>	<u>\$7,534,493</u>	<u>\$ 575,629</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
CAREER TECHNICAL EDUCATION FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 1,973,697	\$ 1,961,540	\$ (12,157)
Taxes other than property	1,500	31,000	29,500
Earnings on investments and deposits	12,000	12,507	507
Tuition	20,000	11,084	(8,916)
Other local revenues	35,000	63,098	28,098
	<u>2,042,197</u>	<u>2,079,229</u>	<u>37,032</u>
TOTAL REVENUE FROM LOCAL SOURCES			
REVENUE FROM STATE SOURCES:			
State aid- sec 81	148,740	148,740	-
State aid- special ed	170,051	163,259	(6,792)
Durant	-	-	-
Other state sources	-	-	-
	<u>318,791</u>	<u>311,999</u>	<u>(6,792)</u>
TOTAL REVENUE FROM STATE SOURCES			
REVENUE FROM FEDERAL SOURCES:			
Career pathways	82,500	82,500	-
Tech prep grant	22,000	23,483	1,483
Other federal revenues	76,254	63,378	(12,876)
	<u>180,754</u>	<u>169,361</u>	<u>(11,393)</u>
TOTAL REVENUE FROM FEDERAL SOURCES			
TOTAL REVENUES	<u>2,541,742</u>	<u>2,560,589</u>	<u>18,847</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	231,196	231,196	-
Transfers from other governmental units	-	-	-
Donated items	-	-	-
	<u>231,196</u>	<u>231,196</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES			
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,772,938</u>	<u>\$ 2,791,785</u>	<u>\$ 18,847</u>

HURON INTERMEDIATE SCHOOL DISTRICT
CAREER TECHNICAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 592,249	\$ 608,152	\$ (15,903)
Salaries- non-professional	109,017	115,237	(6,220)
Insurances	269,256	198,164	71,092
Fica, retirement, and other benefits	179,667	182,953	(3,286)
Purchased services	15,000	9,944	5,056
Supplies and materials	65,548	96,957	(31,409)
Capital outlay	156,419	123,609	32,810
Other	-	820	(820)
TOTAL INSTRUCTION	<u>1,387,156</u>	<u>1,335,836</u>	<u>51,320</u>
SUPPORTING SERVICES:			
Student Services			
Salaries- professional	68,381	69,806	(1,425)
Insurances	2,807	1,901	906
Fica, retirement, and other benefits	16,464	16,894	(430)
Purchased services	34,300	34,155	145
Supplies and materials	1,075	102	973
Other	1,300	-	1,300
Total Student Services	<u>124,327</u>	<u>122,858</u>	<u>1,469</u>
Instructional Support			
Salaries- professional	71,278	85,106	(13,828)
Salaries- non-professional	22,579	23,233	(654)
Insurances	23,620	24,028	(408)
Fica, retirement, and other benefits	18,471	21,742	(3,271)
Purchased services	38,900	19,951	18,949
Supplies and materials	11,750	7,561	4,189
Capital outlay	2,000	3,911	(1,911)
Other	3,500	1,879	1,621
Total Instructional Support	<u>192,098</u>	<u>187,411</u>	<u>4,687</u>
General Administration			
Salaries- professional	29,875	19,227	10,648
Salaries- non-professional	-	-	-
Insurances	4,376	-	4,376
Fica, retirement, and other benefits	7,521	4,867	2,654
Purchased services	-	-	-
Total General Administration	<u>41,772</u>	<u>24,094</u>	<u>17,678</u>
School Administration			
Salaries- professional	161,762	148,753	13,009
Salaries- non-professional	-	-	-
Insurances	41,269	29,371	11,898
Fica, retirement, and other benefits	41,511	36,716	4,795
Purchased services	21,900	4,407	17,493
Supplies and materials	9,000	7,107	1,893
Capital outlay	1,000	-	1,000
Other	600	69	531
Total School Administration	<u>277,042</u>	<u>226,423</u>	<u>50,619</u>
Business Administration			
Salaries- professional	5,407	1,121	4,286
Salaries- non-professional	6,102	817	5,285
Insurances	3,922	194	3,728
Fica, retirement, and other benefits	2,630	1,683	947
Purchased services	320	128	192
Other	6,000	2,574	3,426
Total Business Administration	<u>24,381</u>	<u>6,517</u>	<u>17,864</u>

HURON INTERMEDIATE SCHOOL DISTRICT
CAREER TECHNICAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation and Maintenance			
Salaries- non-professional	\$ 95,491	\$ 101,203	\$ (5,712)
Insurances	36,523	41,737	(5,214)
Fica, retirement, and other benefits	26,678	25,978	700
Purchased services	112,100	112,257	(157)
Supplies and materials	118,500	121,807	(3,307)
Capital Outlay	32,500	58,164	(25,664)
Total Operation and Maintenance	<u>421,792</u>	<u>461,146</u>	<u>(39,354)</u>
Transportation			
Salaries- non-professional	200	92	108
Fica, retirement, and other benefits	62	23	39
Purchased services	4,000	2,118	1,882
Total Transportation	<u>4,262</u>	<u>2,233</u>	<u>2,029</u>
Other Support Services			
Salaries- professional	-	-	-
Salaries- non-professional	100,835	101,249	(414)
Insurances	38,914	27,426	11,488
Fica, retirement, and other benefits	25,834	25,451	383
Purchased services	7,600	4,146	3,454
Supplies and materials	5,400	10,825	(5,425)
Capital outlay	10,000	9,060	940
Total Other Support Services	<u>188,583</u>	<u>178,157</u>	<u>10,426</u>
TOTAL SUPPORTING SERVICES	<u>1,274,257</u>	<u>1,208,839</u>	<u>65,418</u>
COMMUNITY SERVICES			
Salaries- professional	-	-	-
Insurances	-	-	-
Fica, retirement, and other benefits	-	-	-
TOTAL COMMUNITY SERVICES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,661,413</u>	<u>2,544,675</u>	<u>116,738</u>
OTHER FINANCING USES			
Transfers to other funds	-	-	-
Transfers to other governmental units	76,900	48,287	28,613
Payments on loans	-	-	-
TOTAL OTHER FINANCING USES	<u>76,900</u>	<u>48,287</u>	<u>28,613</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$2,738,313</u>	<u>\$2,592,962</u>	<u>\$ 145,351</u>

HURON INTERMEDIATE SCHOOL DISTRICT
ADULT EDUCATION FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Earnings on investments and deposits	\$ -	\$ 4	\$ 4
Tuition	6,000	26,602	20,602
Enrichment revenues	10,000	7,354	(2,646)
Other local revenues	218,000	218,574	574
TOTAL REVENUE FROM LOCAL SOURCES	<u>234,000</u>	<u>252,534</u>	<u>18,534</u>
REVENUE FROM STATE SOURCES:			
State aid- section 81	9,980	9,980	-
State aid- section 107	17,875	14,802	(3,073)
Michigan works	-	15,141	15,141
Other state sources	5,998	2,976	(3,022)
TOTAL REVENUE FROM STATE SOURCES	<u>33,853</u>	<u>42,899</u>	<u>9,046</u>
REVENUE FROM FEDERAL SOURCES:			
MI works staffing grant	219,000	178,816	(40,184)
Strong families & safe children	29,823	25,252	(4,571)
Career pathways	25,000	14,411	(10,589)
Adult education grant	6,800	6,690	(110)
Other federal sources	-	12,600	12,600
TOTAL REVENUE FROM FEDERAL SOURCES	<u>280,623</u>	<u>237,769</u>	<u>(42,854)</u>
TOTAL REVENUES	548,476	533,202	(15,274)
OTHER FINANCING SOURCES:			
Transfers from other funds	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 548,476</u>	<u>\$ 533,202</u>	<u>\$ (15,274)</u>

HURON INTERMEDIATE SCHOOL DISTRICT
ADULT EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 102,811	\$ 118,913	\$ (16,102)
Salaries- non-professional	11,827	8,403	3,424
Insurances	32,943	36,368	(3,425)
Fica, retirement, and other benefits	28,878	32,329	(3,451)
Purchased services	1,200	2,489	(1,289)
Supplies and materials	5,780	4,186	1,594
Capital outlay	-	2,101	(2,101)
Other	175	89	86
TOTAL INSTRUCTION	<u>183,614</u>	<u>204,878</u>	<u>(21,264)</u>
SUPPORTING SERVICES:			
Student Services			
Salaries- professional	78,347	67,665	10,682
Salaries- non-professional	115,502	119,813	(4,311)
Insurances	64,530	57,924	6,606
Fica, retirement, and other benefits	43,261	47,253	(3,992)
Purchased services	-	3,057	(3,057)
Supplies and materials	1,397	3,260	(1,863)
Other	-	-	-
Total Student Services	<u>303,037</u>	<u>298,972</u>	<u>4,065</u>
Instructional Support			
Salaries- non-professional	370	-	370
Fica, retirement, and other benefits	75	-	75
Purchased services	-	205	(205)
Total Instructional Support	<u>445</u>	<u>205</u>	<u>240</u>
School Administration			
Salaries- professional	-	-	-
Salaries- non-professional	10,715	12,453	(1,738)
Fica, retirement, and other benefits	2,775	3,169	(394)
Purchased services	1,740	2,346	(606)
Supplies and materials	500	185	315
Capital outlay	2,404	-	2,404
Other	2,000	3,331	(1,331)
Total School Administration	<u>20,134</u>	<u>21,484</u>	<u>(1,350)</u>

HURON INTERMEDIATE SCHOOL DISTRICT
ADULT EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation and Maintenance			
Salaries- non-professional	\$ 1,800	\$ 2,960	\$ (1,160)
Fica, retirement, and other benefits	561	836	(275)
Purchased services	17,350	1,805	15,545
Supplies and materials	300	67	233
Capital Outlay	-	-	-
Total Operation and Maintenance	20,011	5,668	14,343
TOTAL SUPPORTING SERVICES	<u>343,627</u>	<u>326,329</u>	<u>17,298</u>
COMMUNITY SERVICES			
Salaries- professional	5,200	3,376	1,824
Fica, retirement, and other benefits	1,396	863	533
Purchased services	4,904	4,010	894
Supplies and materials	500	3,908	(3,408)
Other	-	-	-
TOTAL COMMUNITY SERVICES	<u>12,000</u>	<u>12,157</u>	<u>(157)</u>
TOTAL EXPENDITURES	539,241	543,364	(4,123)
OTHER FINANCING USES			
Transfers to other funds	-	-	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 539,241</u>	<u>\$ 543,364</u>	<u>\$ (4,123)</u>

HURON INTERMEDIATE SCHOOL DISTRICT
ALL AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN
ASSETS & LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2007

<u>STUDENT ACTIVITY FUND</u>	<u>BALANCE</u> <u>JULY 1, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2007</u>
ASSETS				
Cash & cash equivalent investments	<u>\$ 56,287</u>	<u>\$ 167,189</u>	<u>\$ 160,242</u>	<u>\$ 63,234</u>
LIABILITIES				
Due to school groups & General Fund	<u>\$ 56,287</u>	<u>\$ 167,189</u>	<u>\$ 160,242</u>	<u>\$ 63,234</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - DURANT BOND
June 30, 2007

\$594,168 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 202,059	\$ 78,277	2009	\$ 280,336
34,640	7,083	2010	41,723
36,290	5,434	2011	41,724
38,015	3,706	2012	41,721
39,824	1,897	2013	41,721
\$ 350,829	\$ 96,397		\$ 447,226

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

HURON INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2007

CONTENTS

Page Number

<i>Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with Government Auditing Standards</i>	1 & 2
<i>Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133.</i>	3 & 4
<i>Schedule of Expenditures Of Federal Awards</i>	5 - 8
<i>Notes to Schedule of Expenditures of Federal Awards</i>	9 & 10
<i>Schedule of Findings and Questioned Costs</i>	11
<i>Schedule of Prior Audit Findings</i>	12



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September 20, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Huron Intermediate School District
Bad Axe, MI 48413

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Intermediate School District as of and for the year ended June 30, 2007, which collectively comprise Huron Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated September 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Huron Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Huron Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Huron Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Education
September 20, 2007

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Huron Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Huron Intermediate School District in a separate letter dated September 20, 2007.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



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September 20, 2007

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Huron Intermediate School District
Bad Axe, MI 48413

COMPLIANCE

We have audited the compliance of Huron Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Huron Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Huron Intermediate School District's management. Our responsibility is to express an opinion on Huron Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Huron Intermediate School District's compliance with those requirements.

In our opinion, Huron Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

INTERNAL CONTROL OVER COMPLIANCE

The management of Huron Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Huron Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of Huron Intermediate School District's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

To the Board of Education
September 20, 2007

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Huron Intermediate School District as of and for the year ended June 30, 2007, and have issued our report thereon dated September 20, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Huron Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS**

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCURED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCURED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education: Title V	84.298	0602500506	\$ 2,803	\$ 203	\$ 2,803	\$ 203	-	-
		0702500607	1,170	-	-	1,170	\$ 1,170	-
			3,973	203	2,803	1,373	1,170	-
Public Law 94-142 Flowthrough Flowthrough State Initiated State Initiated	84.027 *	0604500506	1,116,051	362,774	1,116,051	362,774	-	-
		0704500607	1,104,526	-	-	873,301	1,104,526	\$ 231,225
		070480E0SD	45,000	-	-	45,000	45,000	-
		070490TS	60,000	-	-	60,000	60,000	-
			2,325,577	362,774	1,116,051	1,341,075	1,209,526	231,225
Preschool Incentive	84.173 *	0704600607	53,074	-	-	53,074	53,074	-
			53,074	-	-	53,074	53,074	-
Infant/Toddler	84.181	061340190	67,215	27,342	67,215	27,342	-	-
		071340190	64,541	-	-	33,204	64,541	31,337
		051340190	131,756	27,342	67,215	60,546	64,541	31,337
Curriculum Development Entrepreneurship Grant	84.048	05326060164	11,300	11,300	11,300	11,300	-	-
			11,300	11,300	11,300	11,300	-	-
Title II - Teacher Training	84.367	0705200607	272	-	-	272	272	-
			272	-	-	272	272	-
Title I - Part D Regular - N or D Prevention/Intervention	84.013	0617000607	1,620	-	-	1,620	1,620	-
			1,620	-	-	1,620	1,620	-

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF EDUCATION, (Continued): Passed through Michigan Dept. of Education:								
Vocational Education	84.243							
Tech Prep		063540601411	\$ 136,477	\$ 44,768	\$ 136,477	\$ 44,768		0
Total passed through Michigan Dept. of Education			2,664,049	446,387	1,333,846	1,514,028	\$ 1,330,203	\$ 282,562
Passed through U.S. Department of Education								
Rural Schools Achievement	84.358	S358A065309	19,717	-	-	-	19,717	19,717
Passed through Michigan Dept. of Labor & Economic Growth								
Energy Smart Schools	84.119	PLA-05-70	6,500	1,922	6,500	1,922	-	-
Passed through Tuscola Intermediate School District								
Tech Prep	84.243A	701411	23,483	-	23,483	23,483	23,483	-
Passed through Lapeer Intermediate School District:								
Family Literacy Grant	84.002	71130711087	6,690	-	-	-	6,690	6,690
Family Literacy Grant			6,800	6,800	6,800	6,800	-	-
Passed through Sarniac Intermediate School District:								
Special Needs - Perkins	84.048	063520601211	63,137	28,852	63,137	28,852	-	-
Special Needs	84.048	063520601211	63,378	-	-	63,378	63,378	-
Passed through Grand Valley University:								
RCN Autism	84.027 *		34,100	3,410	34,100	3,410	-	-
RCN Autism		07046400	33,400	-	-	33,400	33,400	-
Passed through Saginaw ISD:								
Reading First	84.357		10,395	5,747	10,395	5,747	-	-
Reading First		0729100507	10,127	-	-	-	10,127	10,127
Total passed through other agencies			228,027	44,809	114,432	141,587	113,595	16,817
			277,727	46,731	144,415	166,992	156,795	36,534
TOTAL U.S. DEPARTMENT OF EDUCATION			2,941,776	493,118	1,478,261	1,681,020	1,486,998	299,096

* = Cluster

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES: Passed through Michigan Department of Human Services: Strong Families/Safe Children Strong Families/Safe Children Strong Families/Safe Children Strong Families/Safe Children Strong Families/Safe Children Strong Families/Safe Children Total Passed Through Michigan Family Independence Agency	93.556	SFSC07-32002-1 SFSC06-32004 SFSC06-32004-2 SFSC-06-32003-2 SFSC-06-32003 SFSC02-32004	\$ 11,515 15,000 15,000 10,000 10,000 15,000 76,515	- \$ 1,400 - - 1,667 1,667 4,734	- \$ 11,060 15,000 - \$ 10,000 15,000 51,060	\$ 5,545 5,163 11,667 7,778 1,667 1,667 34,487	\$ 8,155 3,763 13,334 8,889 1,667 1,667 34,141	\$ 1,610 - 1,667 1,111 - - 4,388
	93.778	Medicaid Transportation - School Based Services	376	-	-	376	376	-
	93.778	Medicaid Outreach	52,086	-	-	52,086	52,086	-
	93.558	Passed through Thumb Area Michigan Works Temporary Assistance - 2006 Temporary Assistance - 2007	88,197 44,731 132,928	25,016 - 25,016	88,197 - 88,197	25,016 38,585 63,601	- 44,731 44,731	- 6,146 6,146
		TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES	261,905	29,750	139,257	150,550	131,334	10,534

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2006	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2007
U.S. DEPARTMENT OF LABOR:								
Passed through Thumb Area Michigan Works:								
WIA Youth 2006 - Career Prep	17.259	**	\$ 82,500	\$ 9,171	\$ 82,500	\$ 9,171	\$ 82,500	-
WIA Youth 2007 - Career Prep	17.259	**	82,500			82,500		-
Reed Act - 2007	17.225		15,558			15,558		-
Employment Service - 2007	17.207		65,742			56,708	65,743	\$ 9,035
WIA Adult - 2007	17.258	**	37,360			37,360	37,360	-
WIA Youth - 2007	17.259	**	12,012			12,012	12,012	-
Dislocated Worker - 2007	17.260	**	15,972			15,972	15,972	-
WIA Youth - Summer Camp - 2007	17.258 / 17.259 / 17.260	**	14,411			5,000	14,411	9,411
Employment Service - 2006	17.207		77,206	21,900	77,206	21,900		-
TOTAL U.S. DEPARTMENT OF LABOR			<u>403,261</u>	<u>31,071</u>	<u>159,706</u>	<u>256,181</u>	<u>243,556</u>	<u>18,446</u>
U.S. DEPARTMENT OF AGRICULTURAL								
Food Stamp Program	10.561		40			40	40	-
GRAND TOTAL			<u>\$ 3,606,982</u>	<u>\$ 553,939</u>	<u>\$ 1,777,224</u>	<u>\$ 2,087,791</u>	<u>\$ 1,861,928</u>	<u>\$ 328,076</u>

** = Cluster

The accompanying notes are an integral part of this schedule.

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>IDEA HANDICAPPED PRESCHOOL & SCHOOL</u>	84.027	0704500607	
<u>PROGRAM:</u>			
Bad Axe			\$ 7,499
Caseville			4,993
Elkton-Pigeon-Bay Port			5,000
Harbor Beach			5,000
North Huron			5,000
Owendale-Gagetown			5,000
Port Hope			5,000
Ubly			5,000
			<u>\$ 42,492</u>
 <u>MEDICAID OUTREACH</u>	 93.558		
Bad Axe			\$ 7,616
Caseville			1,353
Harbor Beach			4,619
Elkton-Pigeon-Bay Port			5,550
North Huron			2,389
Owendale-Gagetown			-
Port Hope			1,234
Ubly			5,030
			<u>\$ 27,791</u>

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. IDEA 94-142, CFDA #84.027 & 84.173 was audited as a major program and represents 70% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	\$1,842,211
Plus: Revenues recorded as deferred revenue- Didn't meet accrual criteria at 6/30/07:	
Rural Schools Achievement	<u>19,717</u>
Reconciled financial statement balance	<u>\$1,861,928</u>
 Federal expenditures per Schedule of Federal Awards	 <u>\$1,861,928</u>

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173 Cluster	IDEA 94-142 Program

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

There were no prior year audit findings for the year ended June 30, 2006.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants



Gary R. Anderson, CPA
Jerry I. Bernhardt, CPA
Thomas B. Doran, CPA

September 20, 2007

Robert L. Tuckey, CPA
Valerie Jamieson Hartel, CPA
Jamie L. Peasley, CPA

To the Board of Education
Huron Intermediate School District
Bad Axe, Michigan

Dear Board Members:

In planning and performing our audit of the financial statements of Huron Intermediate School District as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the school district's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements, will not be prevented or detected by the school district's internal control.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

The following comments relate to certain of the school district's accounting, financial and administrative policies and procedures that we observed during the course of our audit. These matters are not considered control deficiencies or material weaknesses as defined by professional standards.

IRS 403(b) Final Regulations

Intent

The intent of the regulations is to consolidate guidance on §403(b) plans issued since 1964.

Effective Date

These regulations are generally effective for taxable years beginning after December 31, 2008. Plan documents should be in place December 31, 2008 to be implemented as of January 1, 2009.

715 East Frank Street, Caro, MI 48723-1647 • 989/673-3137 • 800-234-8829 • Fax 989/673-3375

2621 Church Street, Cass City, MI 48726-1111 • 989/872-3730 • Fax 989/872-3978

E mail cpa@atbdcpa.com Website www.atbdcpa.com

Written Plan Document

The IRS is working on a model plan document and guidance for school districts. This should contain the provisions necessary for compliance with the new rules.

A plan may consist of several documents, or make reference to other documents, such as annuity contracts and custodial agreements. The employer must ensure that there are no conflicts or inconsistencies between the documents.

The document must contain eligibility rules, benefits available, limitations, allowable vendors, and time and form distributions.

The document must allocate administrative and compliance responsibilities to the employer and/or designated third parties. The plan may not allocate compliance responsibilities to the participants.

Other Provisions

- Exchange of investment products
- Universal availability
- Distributions
- Terminations

Suggestions

Set up a committee of benefit officials and participants to review the current plan and design the future plan.

Determine if you need a third party administrator (TPA) to administer the plan and create a request for proposal (RFP) for services.

Offer employee education. The IRS is developing this type of information as well as a model plan for school districts.

New Auditing Standards

Recently, 10 new auditing standards have been released and are effective, or will become effective for your June 30, 2008 year-end. In reviewing the new standards, they will have an impact on our overall audit approach. The trend is to perform audit procedures utilizing more of a risk based approach. One area that will continue to be emphasized is your internal controls.

New Interpretation Of Deferred Compensation Rules Applicable To Teachers And Similar Employees

In August of 2007, the IRS issued new questions and answers related to deferred compensation that can affect teachers and similar employees.

When employees can elect to defer part of their compensation to a future year, they are generally subject to the rules applicable to deferred compensation under the Internal Revenue Code. These payments could be subject to an additional 20% tax if the specified procedures are not followed. For example, school employees who work 10 months but are paid over 12 months would be deferring compensation into a future year.

These rules are not applicable unless an election must be made. If a school district provides that all employees must spread their pay over 12 months, these rules do not apply.

In order to avoid imposition of extra taxes, the employees must give a written or electronic election to notify the employer that they want to spread out the compensation. This election must be provided before the start of the school year and must be irrevocable. The election must state how the compensation is going to be paid (for example, ratably over the 12 months starting with the beginning of the school year). This election does not need to be made for

future years if the arrangement provides that the election will remain in place until the employee elects a change. These rules are effective January 1, 2008. Therefore, they are not applicable until the election for the 2008 – 2009 school year.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letter to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would keep the district in a deficit.

During our final review of the school district's financial statements we noted several instances where actual expenditures exceeded the budget by more than 1%. We recommend that in the future the budget should be monitored more closely and amendments made to avoid budget violations.

We appreciate the opportunity to be of service to the school district. The cooperation extended to us by your staff throughout the audit was greatly appreciated. We look forward each year to continuing our relationship with Huron Intermediate School District. Should you wish to discuss any item included in this letter further, we would be happy to do so.

This communication is intended solely for the information and use of management and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants